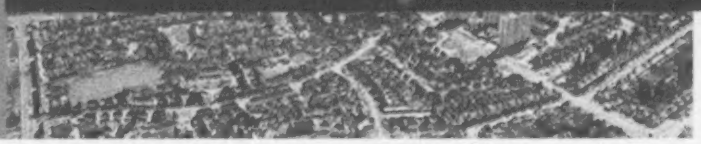
HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

Sudbury CMA



Canada Mortgage and Housing Corporation

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New Home Market

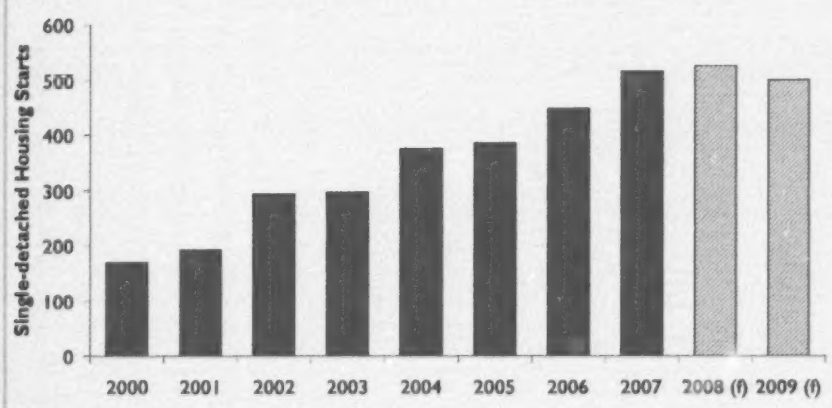
Sudbury Starts to Continue Strong but Will Edge Down

CMHC is forecasting 525 single-detached starts, 30 semi-detached units, 40 apartment condominium ownership units and 120 apartment rental units for a total of 715 Greater Sudbury starts in 2008. Starts will ease to 600 units in 2009 comprised of 500 single-detached homes, 20 semi-detached, 40 ownership apartment condominiums and 40 apartment rental units.

The mining sector will contribute less than it has over the past five years to Ontario GDP growth as the global economy slows. Furthermore, the service sector has been a key component to economic growth for

Figure 1

Sudbury Single-Detached Home Starts to Level Off



Source: CMHC; (f) CMHC Forecast

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the past number of years in Ontario and Sudbury. But, in 2009 the service sector will contribute less to Ontario economic growth.

The 514 single-detached starts in Greater Sudbury in 2007 was the highest level witnessed in this region since 1992. Singles starts are on par with last year after the first eight months of 2008, with a strong fall market being expected. The strong Sudbury economy over the past five years has bolstered incomes, leading to strong levels of single-detached home construction.

The Statistics Canada New House Price Index for Sudbury-Thunder Bay is reflecting strong demand for materials and labour associated with the recent housing boom. Flat for several years, the index jumped 4.3 per cent in 2007 and is up another 6.2 per cent in to the end of September. The NHPI is forecast to increase five per cent in 2009, as demand for new residential construction remains relatively strong. The strength in this index is indicative of the force in the Greater Sudbury market more so than Thunder Bay where the market remains much quieter.

Actual demand has outstripped demographic demand over the past five years indicating that there has been significant pent-up demand for resale and new construction activity. Much of the pent-up demand that was present in the market has been satisfied in the last four years. Our longer term housing demand forecast indicates that demand will subside over the next 15 to 25 years and change focus to denser forms of housing. A trend towards converting non-residential premises to residential is occurring recently to address the demand that exists in light of rapidly rising house prices and limited availability in the rental market.

Denser Forms of Construction Expected

With the vacancy rate under one per cent, the rental market is tight. CMHC is expecting two publicly-assisted rental housing projects to start before year-end and there are some small private rental developments being discussed that could start in 2009-10.

Despite the small percentage of apartment construction in the region, increasing prices for low density housing will spur the development of denser forms of housing in the mid-term in Greater Sudbury. Watch for the share of condominium and apartment construction to rise as a percentage of total residential construction over the next three to five years. Nevertheless low density forms of housing will continue to dominate going forward.

Resale Market

Sudbury Resale Market Eases

CMHC expects 2,530 existing home sales in 2008 in Greater Sudbury, moderating by eight per cent, and a further easing of five per cent in 2009 sales.

Although Sudbury residents bought homes in record numbers in 2004-2006, resales leveled off in 2007 and have dipped in 2008. Sales have now eased off for the last five consecutive quarters on a year-over-year basis and are off 8.6 per cent to August 31st from one year ago.

Above-Average Demand Boosts Prices

Average prices in Sudbury have doubled since 1999, rising nearly 50 per cent since 2005. Average resale home prices rose 17.7 per cent year-over-year in the first eight months, after a near record 21.3 per cent increase in 2007.

With the recent increase in listings and fall-off in demand, the resale market is coming back into balance after favouring sellers for some time. Average prices are forecast to rise 16 per cent in 2008 and a further 4.5 per cent in 2009.

Sudbury Moving to Balanced Market

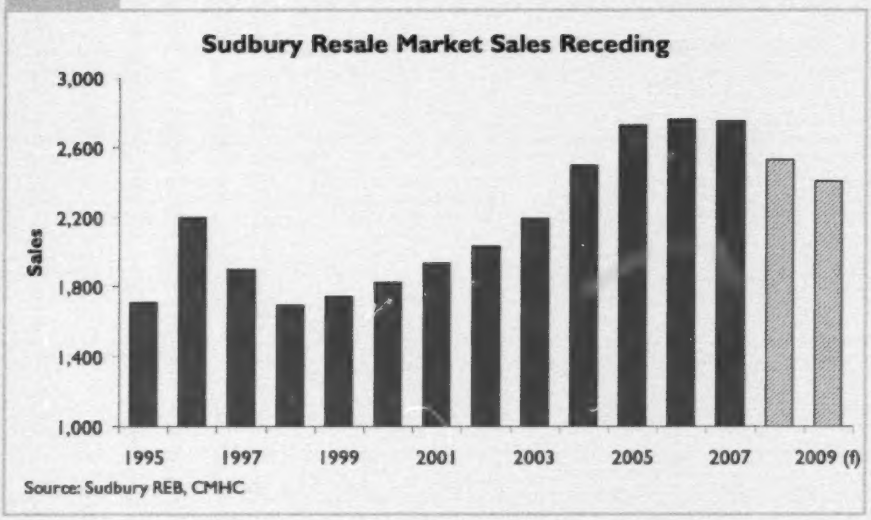
With the slightly softening of demand, the market is moving from a sellers' market to strong balanced conditions. New listings have also risen in the last four quarters as property owners try their luck at listing in a hot market. Sudbury's sales-to-new-listings ratio has fallen to under 55 per cent with this increase in supply and drop in demand.

Year to date, new listings are up nearly twenty per cent and should finish the year 19.5 per cent up from last year while 2009 listings expansions should decelerate as the market adjusts.

Solid Price Growth by Submarket

A cross-section of neighbourhoods in Greater Sudbury is analyzed to provide further insight into the

Figure 2



Source: Sudbury REB, CMHC

market. Although only two of five submarkets have exhibited sales gains in the first eight months of 2008, submarket analysis shows widespread market strength in Greater Sudbury.

Sales gains have been observed thus far in 2008 in Garson and the Hospital Area while Flour-Mill Donovan, Westend-Gatchell and Valley East have experienced sales decreases. All five experienced strong price growth ranging from 16 to 38 per cent thus far in 2008. These generally popular subdistricts are experiencing price gains above the market average. We expect that as the market comes more into balance demand for more modest priced homes will be strongest.

Economy

Sudbury Employment Growth Topping Out

After two years of positive growth, employment growth has stabilized this year and is off 0.3 per cent from the same period last year. Employment growth is rising strongest in the 45-64 age group followed by 25-44 and 15-24. Sudbury's aging population explains the former while the growing service sector and diversifying economy explains the latter. Participation rates have been on the rise since the late 90's these three age groups with the Nationwide trend towards older workers staying in the workforce longer or returning to the labour force being present too. With the labour force falling faster than employment, the unemployment rate has tightened. Employment will finish the year 0.1 per cent below the average level experienced in 2007 but will grow again in 2009 by one per cent.

Average Weekly Earnings to Increase

Average weekly earnings will increase this year at twice the rate of the Ontario average. (8.3 % versus 4.5 %). Contract negotiations will commence in the spring between Vale Inco and the United Steel Workers. This will be the first major contract negotiated in Sudbury since the former Inco and Falconbridge were sold to foreign concerns.

Growth is coming consistently in the services-producing sector of the economy while the goods-producing sector is more volatile; however, late growth in this goods segment has been strongly positive also due to the strength of the mining sector. The strength has translated in significant bonuses being paid out by Valeinco and XStrata to their employees.

Nickel Prices Trend Down but Remain Healthy

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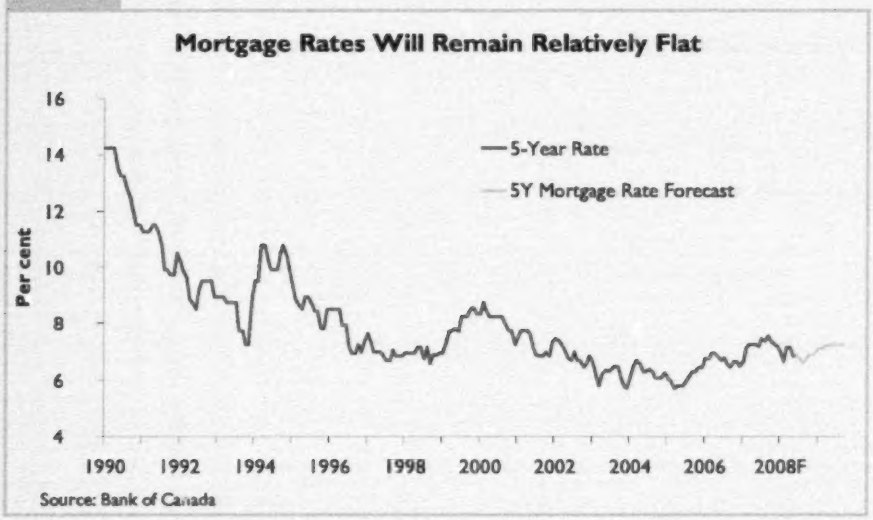
Positive In-Migration to Sudbury for Five Years Running

The Sudbury economy has been diversifying over the past few years. The community is gaining a world-

Figure 3



wide reputation as a centre for mining excellence. Although over 17,000 are employed directly in the mining sector, tourism and retail have grown dramatically in recent years. Migration is occurring from rural Northeastern Ontario into Sudbury as it has solidified its role as a regional hub for this part of Ontario.

In-migration has been positive for five years. This reversal in fortunes was confirmed by the higher population numbers counted during the 2006 Census and ultimately has given people in the community increased optimism for the future. Net-migration numbers should remain in positive territory for the foreseeable future, although a tight labour market and the high price of housing are risks to a forecast of continued in-migration.

Mortgage Rates

Mortgage rates are expected to be relatively stable throughout the last quarter of this year, remaining within 25-50 basis points of their current levels. Posted mortgage rates will decrease slightly in the first half of 2009 as the cost of credit to financial institutions eases. Rising bond yields, however, will nudge mortgage rates marginally higher in the latter half 2009. For the last quarter of 2008 and in 2009, the one year posted mortgage rate will be in the 6.00-6.75 per cent range, while three and five year posted mortgage rates are forecast to be in the 6.50-7.25 per cent range.

Forecast Summary Greater Sudbury CMA Fall 2008	2005	2006	2007	2008f	% chg	2009f	% chg
Resale Market							
MLS® Sales	2,726	2,762	2,751	2,531	-8.0	2,404	-5.0
MLS® New Listings	4,074	3,989	3,834	3,790	-1.1	3,827	1.0
MLS® Average Price ($)	133,938	150,434	182,502	211,700	16.0	221,200	4.5
New Home Market							
Starts:							
Single-Detached	384	448	514	525	2.1	500	-4.8
Multiples	16	29	73	190	160.3	140	-26.3
Semi-Detached	12	18	28	20	-28.6	20	0.0
Row/Townhouse	4	11	37	0	n/a	0	n/a
Apartments	0	0	8	170	n/a	120	250.0
Starts - Total	400	477	587	715	21.8	600	-16.1
Average Price ($):							
Single-Detached	236,530	266,695	307,314	338,045	10.0	354,948	5.0
Median Price ($):							
Single-Detached	225,000	269,000	289,000	306,340	6.0	315,530	3.0
New Housing Price Index (% chg) (Thunder Bay-Sudbury)	1.7	1.7	4.3	6.0	-	5.0	-
Rental Market							
October Vacancy Rate (%)	1.6	1.2	0.6	0.3	-0.3	0.2	-0.1
Two-bedroom Average Rent (October) ($)	668	706	749	779	-	810	-
Economic Overview							
Mortgage Rate (1 year) (%)	5.06	6.28	6.90	6.75	-0.15	6.31	-0.44
Mortgage Rate (5 year) (%)	5.99	6.66	7.07	7.05	-0.02	6.92	-0.13
Annual Employment Level	76,700	77,800	80,800	80,700	-0.1	81,500	1.0
Employment Growth (%)	-1.3	1.5	3.9		-0.1		1.0
Unemployment rate (%)	8.5	7.3	5.8	5.3	-	5.8	-
Net Migration [1]	519	836	412	500	21.4	500	0.0

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over
(1) 2007 migration data is forecasted

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